

# Overview and Scrutiny Board 2025

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## Council Tax Debt Recovery

Relevant Portfolio Holder	Councillor Sue Baker
Portfolio Holder Consulted	No
Relevant Assistant Director	Debra Goodall Assistant Director Finance and Customer Services
Report Author	Job Title: David Riley Contact email: <a href="mailto:david.riley@bromsgroveandredditch.gov.uk">david.riley@bromsgroveandredditch.gov.uk</a> Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Council Priority	Financial Stability
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

### 1. **RECOMMENDATIONS**

The board is asked to **RESOLVE** to **NOTE** the contents of the report.

### 2. **BACKGROUND**

- 2.1 At a meeting on the 11<sup>th</sup> of February 2025 the Overview and Scrutiny Board referenced an article attributed to Martin Lewis. The meeting minutes note:

*“A Member advised the Board of a recent article provided by Martin Lewis, Money Savings Expert. The report suggested that residents consulted with their local constituents to enquire how compassionate and fair the Council were with the debt recovery process for Council Tax, if residents were in financial difficulties. Also, if bailiffs were a requirement, was the debtor charged further costs.”*

The Committee has requested a report detailing the procedures for council tax recovery and the use of enforcement agents.

- 2.2 Although the Committee did not provide a reference to the article mentioned it is likely Members were referring to a report presented by Mr Lewis in his capacity as the chair and founder of The Money and Mental Health Policy Institute (MMHPI). The report titled *“In the Public Interest?”* examines public sector debt recovery practices, with a particular focus on council tax collection.

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2.3 The “*In the public interest?*” report argues that the legislation governing council tax collection requires reform and highlights that practices adopted by local authorities can cause harm to individuals in debt, particularly those people with mental health conditions. The report identifies four areas for improvement:

- **Communication:** Council correspondence is primarily sent by postal letter. It is often formal and legalistic which may deter individuals with mental health or financial difficulties from taking action to resolve their debt.
- **Rapid escalation:** The speed at which council tax debt escalates - referred to by MMHPI as “the council tax trap” – can prevent people from being able to take action to manage their debt.
- **Automation and flexibility:** The reliance on automated procedures and strict procedures can result in a lack of flexibility, leaving people feeling unheard and unsupported.
- **Enforcement Action:** The report suggests that certain enforcement actions may exacerbate financial hardship and that they can be counterproductive and may worsen a person’s financial situation.

A full citation and link to the MMHPI report are included in section 8 Appendices and Background Papers.

2.4 In response to the Overview and Scrutiny Board’s request this report sets out to:

- Explain the legislative framework governing for council tax recovery
- Describe the procedures applied by Bromsgrove District Council
- Summarise the recommendation of the MMHPI report.
- Identify the actions the council can take to improve the recovery process and the barriers to improvement.

### **2.5 Council Tax Recovery Legislative Framework**

The recovery of council tax is governed by The Local Government Finance Act 1992 [the act], and The Council Tax (Administration and Enforcement) Regulations 1992 (as amended) [the regulations].

Under the act, the secretary of state is empowered to make regulations that define:

- The procedures councils must follow when billing and collecting council tax:
- The enforcement powers available for non-payment:

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- The steps councils must take when exercising those powers.

This section provides an overview of the key legislative provisions.

- 2.6 The regulations require councils to issue a council tax demand notice “as soon as practicable” after setting the council tax for the relevant year.<sup>1</sup> The notice assumes that
- The taxpayer will be liable for the full year; and
  - No changes will occur to discounts, reductions, premiums or the council tax band during the tax year.
- 2.7 Taxpayers are entitled to pay their council tax in instalments, typically over ten months if the notice is issued before the 30<sup>th</sup> of April. If issued later the number of instalments is reduced based on the number of full months remaining in the year (e.g. nine instalments if issued in May, eight in June, etc).<sup>2</sup>
- 2.8 Additional rules apply if the notice is issued after 31<sup>st</sup> December, or the total amount payable is less than £10, when the council tax must be paid in a single instalment. The minimum instalment value is £5.00 and where the standard instalment plan would provide instalments below this then the number of instalments will be adjusted accordingly. This ensures that no instalment is below the minimum value.
- 2.9 Taxpayers may request to pay in 12 instalments.<sup>3</sup> If the request is made before 15<sup>th</sup> April the full 12-month profile is provided, if made later the number of instalments is reduced proportionally.
- 2.10 Councils and taxpayers may agree on alternative instalment arrangements, either before or after the demand notice is issued.<sup>4</sup>
- 2.11 Where a taxpayer’s liability changes (e.g. due to the loss of a discount) an adjustment notice is issued. Instalments already due remain payable, and future instalments are amended to reflect the change to the amount payable.
- 2.12 If a taxpayer fails to pay their statutory or agreed instalments, the council initiates recovery action, as set out in the regulations. The recovery process is divided into two stages:

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<sup>1</sup> Reg 19 Council Tax (Administration and Enforcement) Regulations 1992 [CT(A&E) Regs]

<sup>2</sup> Schedule 1 CT(A&E) Regs

<sup>3</sup> Reg 20(1A) CT (A&E) Regs

<sup>4</sup> Reg 20(5) CT (A&E) Regs

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- **Billing Stage:** Includes the initial demand notice and reminder notices.
  - **Enforcement Stage:** Involves the application for a liability order and the use of enforcement powers.
- 2.13 The recovery process begins with a reminder notice. The contents of the reminder notice are set out in the regulations, the reminder must include
- The amount due;
  - An explanation that if the payment is not made within seven days, the full year's council tax becomes payable; and
  - A further explanation that if payment of the full year's council tax is not made within an additional seven days, then further recovery action will be taken<sup>5</sup>.
- 2.14 If a subsequent instalment is missed after the first reminder is paid a second reminder notice will be sent. The second reminder includes a warning that any future missed instalments will result in the full year's council tax becoming immediately payable.<sup>6</sup>
- 2.15 If payment is not received after a reminder the council may apply to the Magistrates' Court for a Liability Order. The liability order confirms that the taxpayer is liable for the unpaid council tax and enables the council to take further recovery action.<sup>7</sup>
- 2.16 If a liability order is being applied for because the council taxpayer has received two reminders and then failed to pay a future instalment on time, the council must first send a final notice. The final notice will give the taxpayer seven days to pay the outstanding amount.<sup>8</sup>
- 2.17 The application for the liability begins with a complaint to the Magistrates' Court and the issue of a summons to the taxpayer. The summons will include the costs of making the application. The application for the liability order will be supported by evidence that:
- The council tax was properly demanded, and the amount has become payable.
  - The council tax remains unpaid.
  - The correct procedures have been followed in setting, demanding and recovering the council tax.

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<sup>5</sup> Reg 23(1) CT (A&E) Regs

<sup>6</sup> Reg 23(4) CT (A&E) Regs

<sup>7</sup> Reg 34 CT (A&E) Regs

<sup>8</sup> Reg 33 CT (A&E) Regs

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- 2.18 The liability order application is not intended to examine the reasons why a person has not paid their council tax. The magistrates will make a liability order if they are satisfied that the sum has become payable and had not been paid.<sup>9</sup>
- 2.19 A taxpayer may raise the following valid defences against the making of a liability order include:
- **No entry in the valuation list:** There is no valid entry for the property in the Council Tax Valuation List for the relevant period.
  - **Council tax not properly set:** The council tax was not lawfully set by the local authority.
  - **Improper demand:** The council tax was not demanded in accordance with statutory requirements (e.g. incorrect reminder or missing reminder notices).
  - **Amount has already been paid:** The taxpayer has already paid the amount being claimed.
  - **Six-year rule:** The liability order has been applied for more than six years since the amount became due.<sup>10</sup>
  - **Failure to serve notices promptly:** The billing authority failed to serve the demand notice “as soon as practicable” in accordance with Regulation 19(1) of the Council Tax (Administration and Enforcement) Regulations 1992.
  - **Outstanding penalties under appeal:** The amount being claimed includes a penalty that is currently under appeal or arbitration.
  - **Bankruptcy or insolvency proceedings:** The taxpayer is subject to ongoing bankruptcy or winding-up proceedings.
- 2.20 Once a liability order is granted the council gains additional powers to recover the council tax debt, these powers are:
- **Request for information:** The debtor must, when requested in writing, provide details of their employment, earnings, other income, and details of any person who would be jointly and severally liable for the council tax.<sup>11</sup>
  - **Attachment of Earnings:** The council may instruct the debtor’s employer to deduct payments directly from their wages.<sup>12</sup>
  - **Deductions from Benefits:** If the debtor receives certain benefits (Universal Credit, Pension Credit, Income Support, Jobseeker’s

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<sup>9</sup> Reg 34(7) CT (A&E) Regs

<sup>10</sup> Reg 34(3) CT (A&E) Regs

<sup>11</sup> Reg 36 CT (A&E) Regs

<sup>12</sup> Reg 37 CT (A&E) Regs

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Allowance, or Employment and Support Allowance) the council can request deductions are made from the benefit.<sup>13</sup>

- **Taking Control of Goods:** Enforcement agents (bailiffs) may be instructed to recover the debt. The process adds extra costs to the case and can lead to the seizure and sale of a debtor's goods.<sup>14</sup>
- **Attachment of Councillor's Allowances:** If the debtor is an elected member of a billing authority or major precepting authority the council make an attachment of allowances order.<sup>15</sup>
- **Committal to Prison:** If enforcement agents have been unable to recover the debt, the council may apply to the magistrates' court for a committal warrant. The court will carry out a means enquiry, which is a formal investigation of the debtor's financial circumstances, to determine whether the failure to pay was a result of wilful refusal (deliberate non-payment despite having the means to pay) or culpable neglect (failure to pay due to avoidable negligence).

The court can:

1. Remit all or part of the debt, which will be done if they find the debtor genuinely unable to pay.
  2. Postpone imprisonment on conditions e.g. regular payments
  3. Commit the debtor to prison for up to 3 months where there has been wilful refusal or culpable neglect.<sup>16</sup>
- **Charging Order:** If the debt is more than £1000 the council may apply for a charging order securing the debt against the debtor's home.
  - **Insolvency Proceedings:** For debts over £5,000 the council may initiate bankruptcy proceedings.

2.21 The council can take whichever enforcement option that it considers appropriate and can attempt recovery using a specific action more than once but cannot take two actions at the same time for the same debt. For example, if the council instructs enforcement agents to collect a debt, then it cannot issue an attachment of earnings order for same debt whilst the enforcement agents are instructed.<sup>17</sup> If enforcement agents are unsuccessful the debt would be returned to the council, who can later, refer the debt to enforcement agents for a second time.

2.22 When a council tax debt is being collected by deductions from a debtor's benefits, certain protections apply. During the period from the request for deductions until the deductions cease, no enforcement

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<sup>13</sup> The Council Tax (Deductions from Income Support) Regulations 1993

<sup>14</sup> Reg 45 CT (A&E) Regs

<sup>15</sup> Reg 44 CT (A&E) Regs

<sup>16</sup> Reg 47 to 48 CT (A&E) Regs

<sup>17</sup> Reg 52 CT (A&E) Regs

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action can be taken for any other council tax debt of the debtor or their partner.<sup>18</sup>

### **2.23 Bromsgrove Council's Recovery Procedures**

Bromsgrove District Council's cabinet approved a revised debt recovery policy on 7<sup>th</sup> December 2016. The policy sets out the steps that the council will take when recovering council tax debt.

2.24 The policy set out the steps the council will take at each stage of the recovery process. The key points are:

- **Reminder Notices:** Reminders will be issued between 10 to 18 days of the instalment due date. There are certain time of the year when this may be reduced to 7 days.
- **Days to pay:** The policy follows the statutory framework and allows seven days for the payment to be paid.
- **Final Notice:** Final notices will be sent when a taxpayer is late for a third time in the tax year.
- **Summons and Liability Order Application:** Liability orders will be sought where a taxpayer has failed to pay and has not contacted to make a payment arrangement.
- **Enforcement:** The policy sets out how the council will consider all available enforcement options.
  - **Information Request:** The request for information will be sent to debtors within five days of the liability order being granted.
  - **Attachment of Earnings Order:** AOE is the council's preferred method of enforcement and will be used in preference to enforcement agents.

We will allow debtors to make a payment arrangement before issuing an AOE, but if the arrangement fails an order will be made without any further notification to the debtor.

- **Deductions from Benefits:** Deductions from benefits will be used to collect a debt in preference to other methods of recovery except where there are other members of the household who are not liable but contribute to household expenses, the debtor owns property and a charging order may be appropriate, the debtor has savings or capital which could be used to discharge the debt.

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<sup>18</sup> Reg 54 CT (A&E) Regs

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- **Enforcement Agents:** If an attachment of earnings order, or deductions from benefit are not available then Enforcement Agents will be instructed to recover the debt.
- **Insolvency, Charging Orders, and Committal to Prison:** Where enforcement agents have been unsuccessful the council will consider the use of insolvency, charging orders or application for committal.

- 2.25 The debt recovery policy was adopted in December 2016 and operational challenges, and the functionality of the council's revenues software have required amendments to the process set out in the policy.
- 2.26 The policy sets out that the council will follow the statutory process for recovery, with debts progressing from reminder to default within 14 days. In practice the council moves cases from billing stage to reminder, then to second reminder, and on to final notice before issuing a summons.
- 2.27 A non-payer, who missed their April instalment and made no payment, would therefore receive three notices before the debt progressed to summons. A taxpayer who continual late payments would also receive three notices in the tax year, but the case would progress sequentially Bill, 1<sup>st</sup> Reminder, 2<sup>nd</sup> Reminder, Final Notice, Summons. This means that on their third late payment there would be no additional notice before the summons was issued.
- 2.28 The flow charts attached at appendix A and B provide a visual summary of the statutory recovery progression from demand notice to summons and the process adopted by Bromsgrove Council.
- 2.29 The council has reviewed the provision of enforcement services and appointed new enforcement agents from April 2025. The procurement process included an assessment of the protections and policies that the agents have in place for supporting vulnerable debtors. The protections which the enforcement agents have adopted include:

**Policy and Standards:** We treat everyone as potentially vulnerable until satisfied to the contrary, recognising that vulnerability is subjective and transient. Our policies adhere to each council's specification and code of conduct, ensuring fairness, consistency, and sensitivity to personal circumstances

**Welfare Support and Financial Difficulties Team (WSFDT):** Cases identified as potentially vulnerable or in financial difficulties are referred to our specially trained WSFDT for one-on-one case management.



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This team liaises with third-sector organisations like Citizens Advice, Christians Against Poverty, and StepChange and will ensure the customer has had the opportunity to seek independent advice. We liaise with the client before continuing action. Where cases are retained as opposed to returned under client guidelines the team ensures that appropriate support is in place, including case holds and implement sustainable payment arrangements. 84% of which are sustained due to their basis in affordability, negotiated by staff attuned to the circumstances and needs of the customer.

**Specialist Training:** As part of their mandatory training Marston staff and EAs receive specialist training in mental health, suicide prevention, and dementia awareness. This training includes professional drills for identifying and handling vulnerability and mental health issues, such as TEXAS (Thank, Explain, eXplicit consent, Ask, Signpost), IDEA (Impact, Duration, Episodes, Assistance), BRUCE (Behaviour, Remembering, Understanding, Communication, Evaluation), and BLAKE (Breathe, Listen, Ask, Keep-safe, End). Where safeguarding concerns are identified we will inform the client immediately.

### **2.30 MMHPI Report and Recommendations.**

The MMHPI report made a series of recommendations for improvements to council tax administration and enforcement. Some of the recommendations, such as lowering the maximum deduction rate for universal credit and reviewing attachment of earnings reduction rates, are directed at Government, but several of the recommendations are targeted at, or can be implemented by local authorities without direction from Government. These recommendations are:

- **Local authority collection departments are made a political priority:** The report states that collection teams are often under-resourced and as a result actions which could be carried out in house, such as communicating with debtors are carried out by external enforcement agents.
- **Boosting take-up, generosity and variety of support:** The MMHPI report highlights that maximising the take-up of council tax discount and reductions can help people who are struggling with debts through highlighting any discounts that they may be entitled to.
- **Building fairness into repayment timelines:** The rapid escalation from the issue of a reminder notice to the full council tax becoming payable is a key issue for MMHPI. It is recommended that council tax recovery is moved into line with consumer credit where firms will often wait 3 to 6 months before a person becomes liable to pay their debt in full.

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- **Introduce a pre-action protocol:** MMHPI recommends that local authorities implement an enhanced version of the Money Advice Trust's pre-action protocol which will ensure that:
  - there is proactive contact with debtors,
  - arrangements are affordable and proportionate,
  - discretionary powers to reduce council tax are used,
  - vulnerable debtors are protected,
  - warm referrals to advice agencies are established.

### **2.31 Actions and Barriers to Improvement**

To better align Bromsgrove District Council's council tax recovery procedures with the recommendations of the Money and Mental Health Policy Institute (MMHPI), a series of targeted actions could be taken. These actions enhance fairness, transparency, and support vulnerable residents, while maintaining effective debt collection. Each proposed action includes a statement of the key barriers to implementation and suggested mitigations to help overcome those challenges. The following table summarises these proposals:

<b>Proposed Action</b>	<b>Barriers to Implementation</b>	<b>Suggested Mitigations</b>
1. Implement a revised debt recovery strategy and procedures	Requires coordination across departments  Staff retraining needed  Potential resistance to change  Limited resources within the recovery services with 2.54 FTEs in post managing CT and NDR enforcement across the Bromsgrove District and Redditch Borough.	Pilot revised procedures in a limited area  Provide training and change management support  Review resources within the Recovery Team and provide additional support for the delivery of enhanced recovery function.
2. Introduce a pre-action protocol (based on Money Advice Trust guidance)	May delay recovery timelines and impact on collections.  Additional administrative burden	Develop standardised templates and processes.  Automate parts of the protocol process such

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	and insufficient resources within existing team to carry out pre-action contacts.	as initial email and text message contacts.  Consider procurement of telephone contact software to enable outbound contact campaigns.
3. Trial pre-enforcement intervention team.	No existing resource available for pre-enforcement team.  Developing new protocols and procedures and training team.  Management of outbound contact campaigns is resource intensive, and systems do not support outbound campaigns.	Develop standardised templates and processes.  Review telephony system and determine the extent to which outbound call management is available.  Trial joint-working with customer services team on outbound contact management.  Procurement of dedicated contact management software to manage outbound campaigns.
4. Implement the Single Financial Statement (SFS)	Staff training required  Integration with existing systems and procedures may be complex  Staff commitment to use of the SFS.	Partner with advice agencies for training
5. Review website and communication materials to better publicise discounts and reductions	Requires content redesign and web development  Risk of information overload for users	Use plain language and visual aids  Test with user groups for clarity

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	No capacity within service to review website content.	
6. Engage with Citizens Advice and debt advice sector to establish warm referral pathways	Requires formal partnership agreements  Data sharing and GDPR compliance issues	Use consent-based referral models  Develop joint working protocols
7. Allocate budget for discretionary council tax reductions	Competing budget priorities  Requires political support and financial planning	Present cost-benefit analysis (e.g. reduced enforcement costs)  Start with a pilot fund and evaluate impact

These actions aim to improve fairness, transparency, and support for vulnerable residents while maintaining effective council tax collection. However, the actions cannot be delivered with the existing resources of 2.54 FTE allocated to recovery of council tax and non-domestic rates.

### **3. OPERATIONAL ISSUES**

- 3.1 Sections 2.1 to 2.27 provide summary of the legislation governing council tax recovery and the procedures implemented within Bromsgrove. Section 2.29 provides details on the barriers to improvements in processes.

### **4. FINANCIAL IMPLICATIONS**

- 4.1 Implementing pre-action protocols and improvements to council tax recovery would need a commitment from the council to meet the costs of additional resources within the council's recovery team.
- 4.2 Implementing the MMHPI recommendation to proactively utilise the council's discretionary power to reduce council tax on a case-by-case basis would require the allocation of a budget to meet the losses to the council tax collection fund.

### **5. LEGAL IMPLICATIONS**

- 5.1 The recovery of council tax is governed by a statutory framework established under the Local Government Finance Act 1992, supported by secondary legislation including The Council Tax (Administration and Enforcement) Regulations 1992, as amended. The legislation sets out the procedures that billing authorities must follow for the billing,

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collection and enforcement of council tax, including the powers available to recover unpaid amounts and the safeguards that apply during the recovery process.

### **6. OTHER - IMPLICATIONS**

#### **Local Government Reorganisation**

6.1 None

#### **Relevant Council Priority**

6.2 The report updates Members on arrangements in place for Council Tax recovery. This helps to support the corporate priority of financial stability.

#### **Climate Change Implications**

6.3 None

#### **Equalities and Diversity Implications**

6.4 None

### **7. RISK MANAGEMENT**

7.1 None

### **8. APPENDICES and BACKGROUND PAPERS**

Murray T and Smith F. *In the public interest? The psychological toll of local and national government debt collection practices*. Money and Mental Health Policy Institute. September 2024

<https://www.moneyandmentalhealth.org/publications/in-the-public-interest/>

*Cabinet Meeting Minutes: Agenda Item 7, Revised Debt Recovery Policy* Bromsgrove District Council, 7<sup>th</sup> December 2016.

[Cabinet papers 7th December 2016](#)

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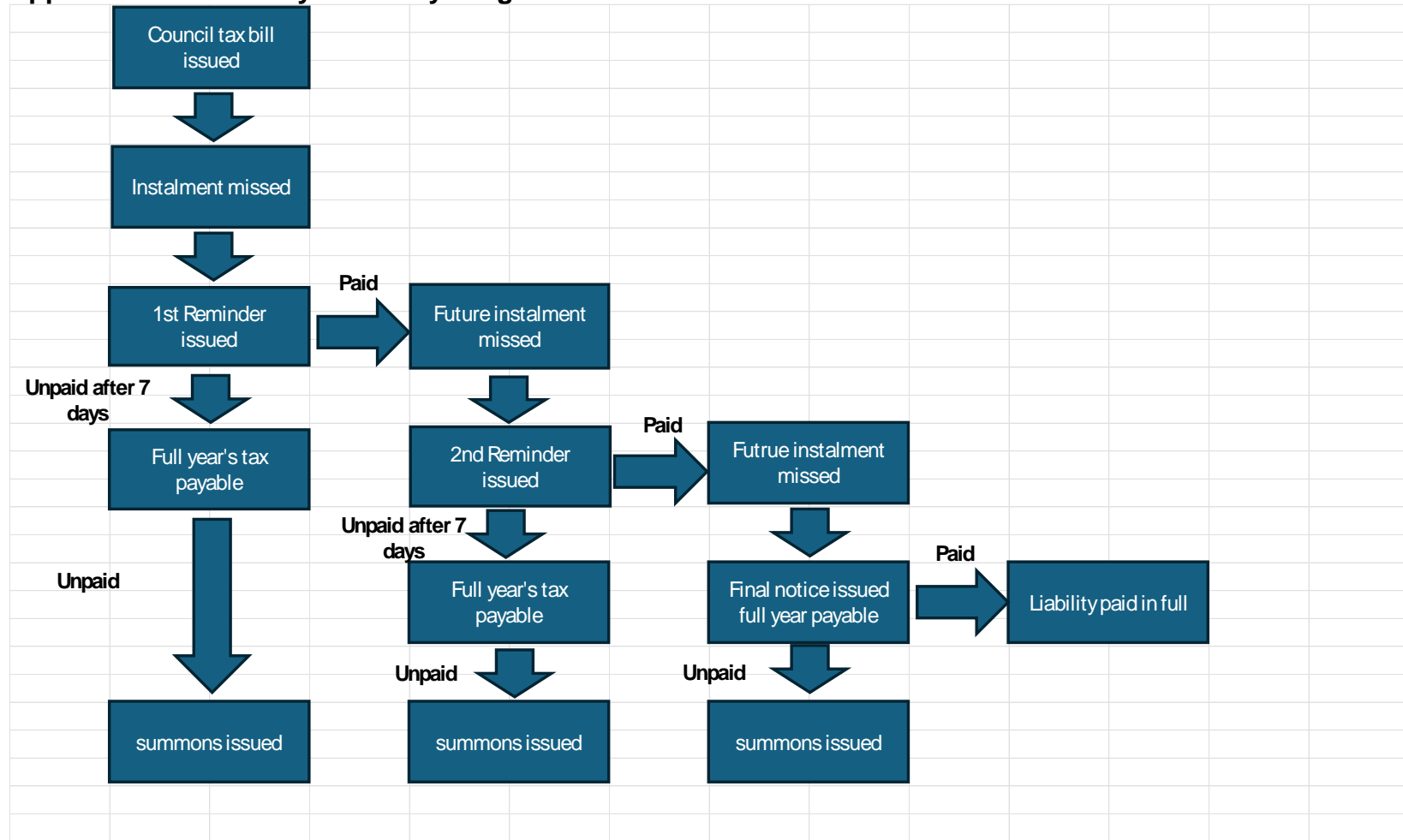
**9. REPORT SIGN OFF**

<b>Department</b>	<b>Name and Job Title</b>	<b>Date</b>
Portfolio Holder	.	
Lead Director / Assistant Director	Debra Goodall	17 August 2025
Financial Services		
Legal Services	Nicolca Cummings	28 August 205
Policy Team (if equalities implications apply)		
Climate Change Team (if climate change implications apply)		

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### Appendix A – Statutory Recovery Progression



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### Appendix B – Bromsgrove Pre-Summons Recovery Progression

